EXPORT CONTROLS ON HIGH PERFORMANCE COMPUTERS

Opening Statement

Senator Daniel K. Akaka

Mr. Chairman and Senator Lieberman thank you for holding this hearing.

How to control exports critical to our national security in a world of rapid technological innovation is one of the most serious issues we face.

I hope that this Committee will hold more hearings on this topic and I would recommend looking at the Administration's new proposals on export controls announced just this week.

Most of us would consider computers to be on the cutting edge of technologies which we <u>should</u> control. But at the same time the definition of "cutting edge" is constantly changing. Sometime this year Intel will introduce a new chip which will more than double the current level of computer processing capability.

Efforts to control this technology sometimes become ridiculous. For example, this fall Sony will introduce its new PLAY STATION II which contains a processor above the performance levels set by current Japanese export controls. Rather than restrict PLAY STATION exports, the Japanese redefined how to control such items.

We are in a similar situation in this country. Every few years -- with increasing frequency -- every Administration since President Reagan's has had to revise controls on computer exports.

This has become an even more critical question as the American computer industry earns more than 50 percent of its revenues from exports. With the speed of innovation and the need to protect market share from foreign competition, I can see why the industry is eager to raise the level of permissible exports and speed up the license review process.

This is an industry in which innovation is the key to market success. American manufacturers do not have a monopoly on production. For example, 80 percent of all computer motherboards are manufactured in Taiwan. One of the fastest growing

computer companies in the world is in Beijing. To keep pace with this competition, American manufacturers need the revenues to plow back into research and development.

In December 1999, the Pentagon's Defense Science Board Task Force on Globalization and Security concluded that "if U.S. high-tech exports are restricted in any significant manner, it could well have a stifling effect on the U.S. military's rate of technological advancement."

In effect, this is the heart of the problem: how do we control critical defense exports without stifling the innovation necessary to national security in a world in which the globalization of technology can outstrip our ability to control it?

I look forward to the witnesses today and their answer to this question.